

CITY OF WINDSOR HEIGHTS, IOWA

Independent Auditors' Reports
Basic Financial Statements
Supplementary Information
and Findings

June 30, 2007

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CITY OF WINDSOR HEIGHTS, IOWA

OFFICIALS

Name	Title	Term Expires
Jerry Sullivan	Mayor	January, 2010
Flo Hunter	Council Member	January, 2010
Carole Tillotson	Council Member	January, 2010
Diana Willits	Council Member	January, 2010
Steve Peterson	Council Member	January, 2008
Donna Markley	Council Member	January, 2008
Marketa George Oliver	Administrator/Clerk	January, 2008
Colleen Pingrey	Treasurer	January, 2008
Janet G. Huston	Attorney	Indefinite

POLLARD AND COMPANY P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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IOWA SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members of the City Council
City of Windsor Heights

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Windsor Heights, Iowa, as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Windsor Heights's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Windsor Heights as of June 30, 2007, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our reports dated October 31, 2008 on our consideration of the City of Windsor Heights's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. Those reports are an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis and the budgetary comparison information are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Windsor Heights's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the years ended June 30, 2004, 2005 and 2006 (none of which are presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

July 22, 2008

Pollard and Company P.C.

**CITY OF WINDSOR HEIGHTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2007**

This discussion and analysis is intended to be an easily readable analysis of the City of Windsor Heights's financial activities for the fiscal year ended June 30, 2007 based on currently known facts, decisions or conditions. This analysis focuses on current year activities and should be read in conjunction with the City's financial statements.

2007 Financial Highlights

- As of June 30, 2007 the City had fund balances on hand of \$2,508,113 in governmental fund types, up from \$1,583,479 in FY 2006 and \$1,176,948 in FY 2005 and \$411,359 in business-type funds, slightly decreasing from \$448,254 in FY 06 and \$429,746 in FY 2005.
- Public Safety accounted for the largest portion (33.81%) of the City's total disbursements and 59.12% of the City's total General Fund disbursements, slightly up from the 56.24% of FY 2006, with Debt Service accounting for the next largest portion of 20.93%. Capital Projects accounted for substantial expenditures as well. The Colby Park project represented 12.25% of the total expenditures.
- Property Taxes of \$2,160,668 accounted for the largest portion of the City's receipts slightly up from \$2,149,157 in FY 2006 and \$2,076,718 in FY 2005, with TIF receipts accounting for the next largest portion at \$1,620,769, also slightly up from \$1,447,527 in FY 2006 \$1,294,382 in FY 2005.

Report Layout – Using this report

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34. GASB 34 implemented a new model of financial reporting for state and local governments designed to enhance the usefulness of the City's annual report. In addition to the Management's Discussion and Analysis (MD&A), the report consists of government-wide statements, fund financial statements, notes to the financial statements, combining schedules of non-major funds and supplemental information. The first several statements are highly condensed and present a government-wide view of the City's finances. Within this view, all City operations are categorized and reported as either governmental or business-type activities. Governmental activities include basic services such as public safety, public works, health and social services, culture and recreation, community and economic development, general government administration, debt service, and capital projects. Business-type activities are water, sewer and stormwater.

Basis of Accounting

The City has elected to present its financial statements on a cash basis of accounting. The cash basis of accounting is a basis other than generally accepted accounting principles. Basis of accounting is a reference to when financial events are recorded, such as the timing for recognizing revenues, expenses and their related assets and liabilities. Under the City's cash basis of accounting, revenues and expenses are recorded when they result from cash transactions. As a result of the use of the cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods and services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

Reporting the City's Financial Activities - Statement of Activities

The focus of the Statement of Activities is to present the major program costs and match major resources with each. To the extent a program's cost is not recovered by grants, donations and direct charges, it is paid from general taxes and other resources. This statement summarizes and simplifies the user's analysis to determine the extent to which programs are self-supporting and/or subsidized by general revenues.

Following the required Statement of Activities is a section containing fund financial statements. In addition to these basic financial statement and related information, there are a number of financial schedules and reports by the independent certified public accountants as required by statute.

The MD&A is intended to explain the significant changes in financial position and differences in operations between the current and prior years.

Revenue Sources

To aid in the understanding of the Statement of Activities, some additional explanation is given. First, receipts and disbursements are categorized as either governmental activities or business-type activities. Governmental activities are supported by a number of revenue sources derived from various funding sources. These are defined as follows:

General Government funds - Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. The City's major governmental funds are the General Fund, the Debt Service Fund and Special Revenue Funds: Urban Renewal Tax Increment Fund, Road Use Tax, and Employee Benefits Fund, and Colby Park Capital Project Fund.

Special Revenue Funds – Special Revenue funds are funds derived from a dedicated revenue source. For example, funds collected in an Urban Renewal/Tax Increment Fund can only be spent on specific expenses related to community development and economic development. The City's other special revenue funds include the Employee Benefit Fund; Road Use Fund (dedicated to street maintenance and construction), Police Pre-forfeiture Fund, Police Trust Fund and the Capital Projects Fund.

Business-Type activities are activities that are supported by charges for services. These are defined as follows:

Business-Type (Proprietary) Funds - When the City charges customers for the services it provides, these services are generally reported in business-type or proprietary funds. These are self-sufficient funds. The City's business-type funds are water utility, sewer utility, and storm sewer. This also includes all debt service and capital projects associated specifically with the above listed utilities.

Expenditure Program Areas

The City's expenditures are categorized into a number of different program areas. They include:

Public Safety - This category includes police operations including reserves, civil service commission, emergency management, fire protection, ambulance service, building inspections, and animal control services.

Public Works - This category includes roads, bridges, and sidewalks, equipment replacement, street lighting, traffic safety, snow removal, and compost facility.

Health and Social Services - This category includes welfare assistance and referral building maintenance.

Culture and Recreation - This category includes library services, parks, recreation, and community center operations.

Community and Economic Development - This category includes community betterment, trees forever, economic development, housing, TIF, planning and zoning, and community activities.

General Government - This category includes mayor, city council, City Administrator/Clerk; Chief Financial Officer; Community Services Director, Code Enforcement Officer, elections, legal services, City Hall, utilities, and safety program.

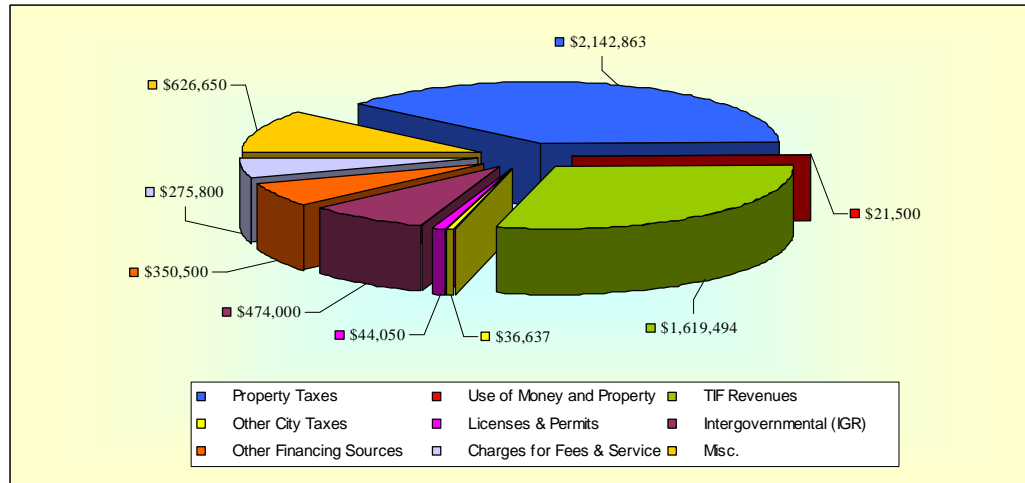
Debt Service - This category includes general, TIF and road use debt service.

Capital Projects - This category includes capital projects, such as sidewalk construction and street resurfacing. The City has undertaken a number of capital projects in recent years, including the reconstruction and widening of University Avenue, the redevelopment of the Town Center corners, the resurfacing of 73rd Street and the implementation of the sidewalk construction program. Current and future capital projects include the Colby Park project and the redevelopment of Hickman Road.

Major Governmental Fund Analysis

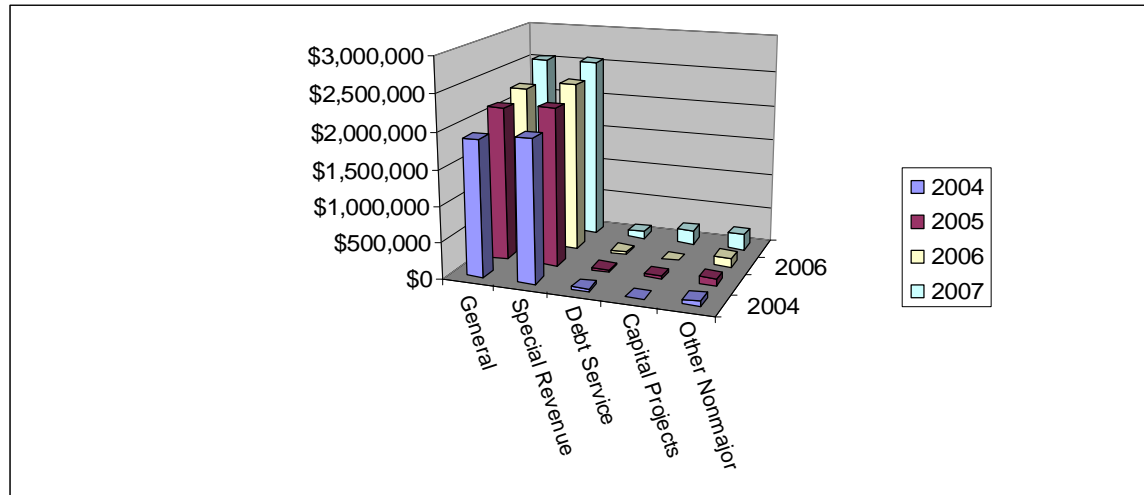
For the year ended June 30, 2007, the City's governmental activities were budgeted as follows:

Sources of Funds for Governmental Activities



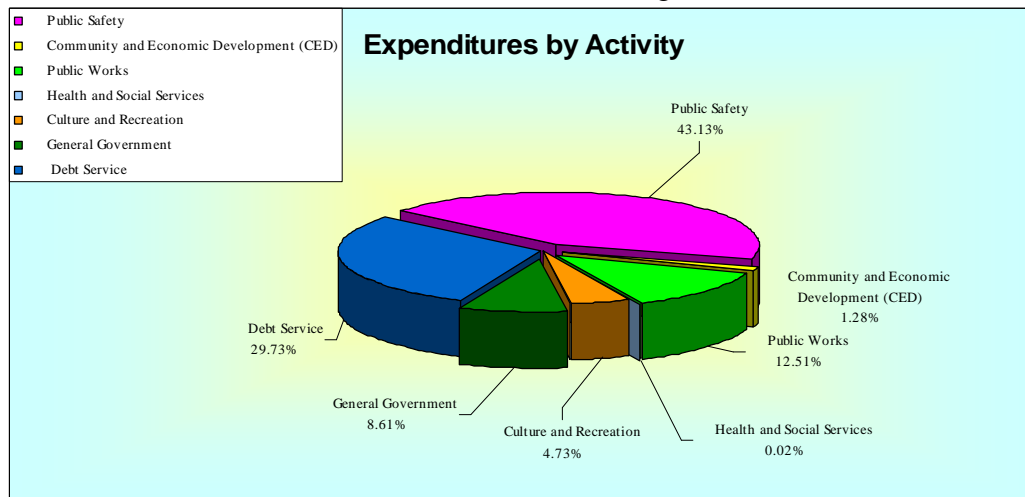
In actuality, total receipts were \$5,623,533, which is an increase of \$699,285 in 2007 over 2006, largely due to an increase in grants and tax increment revenues. The increase in property tax revenues comes from increased valuation, primarily of commercial properties due to the City's community development efforts and the revaluation process. General fund receipts were \$2,160,668, or a slight increase of \$11,511. TIF fund property tax receipts increased to \$1,620,769, which is \$173,242 more than the \$1,447,527 in FY 2006. There was a decrease of \$731 in property tax revenues collected for FICA, IPERS and other employee benefits, making the total collection for FY 2007 \$526,015.

Major differences by receipt source are outlined below. Governmental receipts this year as compared to last three fiscal years are shown in the graph below.



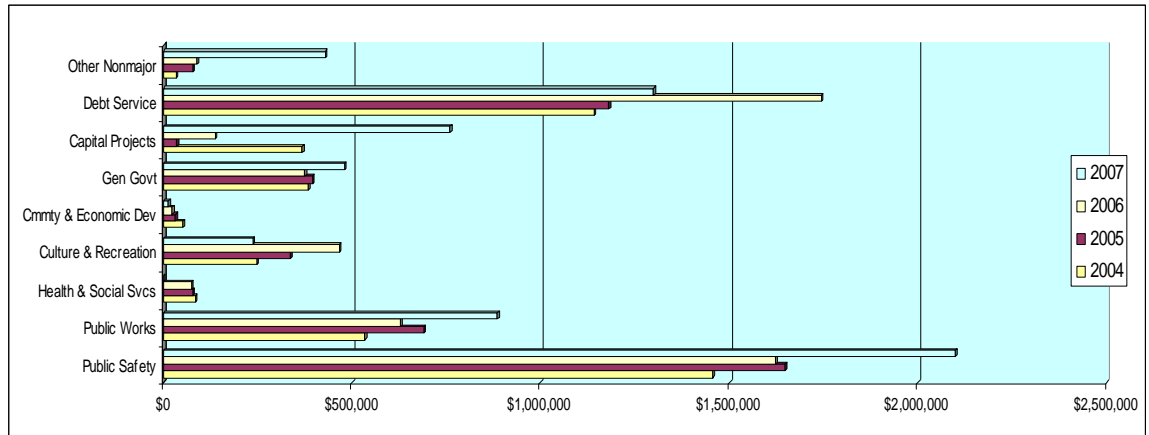
Expenditure Picture

Uses of Funds in Governmental Activities – as budgeted for FY 2007

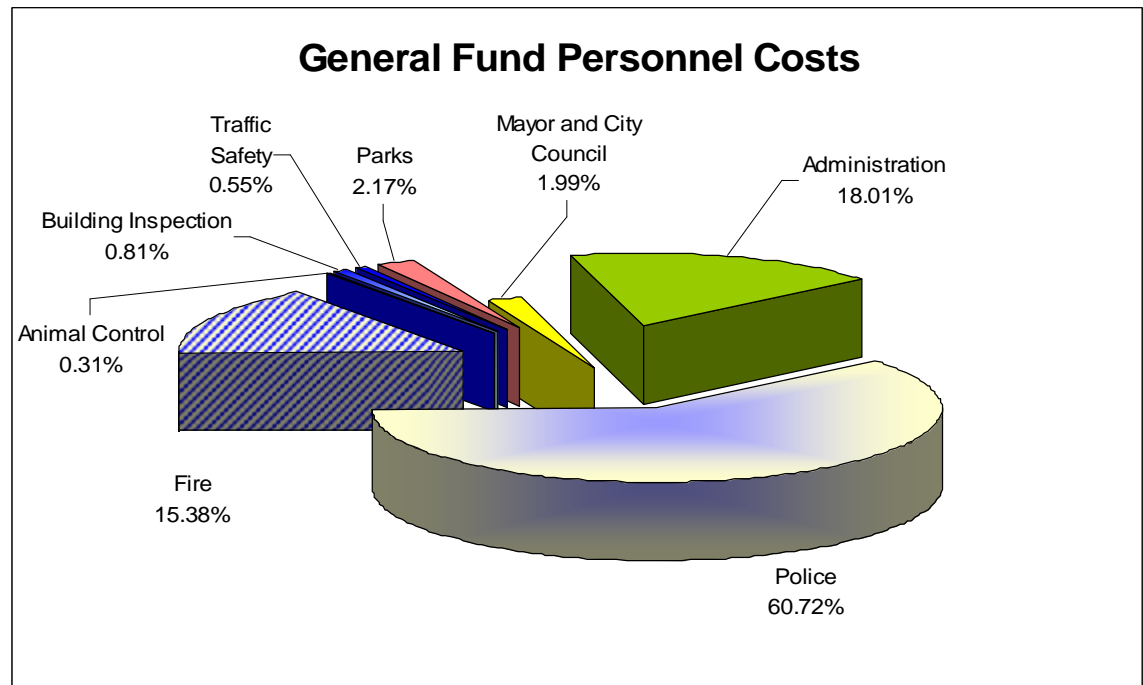


With a few exceptions, governmental program disbursements also remain fairly consistent. Public safety expenditures increased overall. The major changes are increased personnel costs for the police department as it remains fully staffed. Public works also increased slightly. The reinstatement of temporary help contributed slightly to the cost increase. Debt service decreased slightly, as bonds and loans were repaid.

Total governmental expenses this year as compared to the last three fiscal years are shown in the graph below.



The largest expenditure in the City's budget remains salaries. The largest part of the general fund salary allocations goes to the police department. General fund salaries are distributed as shown in the following graph.



Major Business-type Fund Analysis

For the year ended June 30, 2007, the City's business-type activities revenues and expenses remained a minimal, yet growing part of the budget. The City has shifted sanitary sewer and stormwater to enterprise functions. Further, the City continues the practice of purchasing equipment directly out of the capital equipment fund, instead of budgeting it in department budgets and then transferring money from that fund to cover the expenditures.

Budgetary Highlights

City Council approved one budget amendment during the year. The amendment reflected a large capital project that was not budgeted, but undertaken because the City received a large grant to assist with financing the project. The City also issued bonds to cover the remainder of the costs of the project. The project is budgeted in Public Works; capital projects; and Community and Economic Development. The General Government area was increased due to building repairs and some capital equipment replacement that had to be accelerated on the equipment schedule due to a few computers completely failing.

Capital Assets and Debt Administration Fund Balances

As of June 30, 2007 the City had fund balances on hand of \$2,508,113 in governmental fund types, up from \$1,583,479 in FY 2006 and \$1,176,948 in FY 2005 and \$411,359 in business-type funds, slightly decreasing from \$448,254 in FY 06 and \$429,746 in FY 2005.

Debt Outstanding

As of year-end, the City had \$8,683,157 in debt outstanding compared to \$8,027,072 in FY 2006 and \$8,735,000 in 2005. The reason for the increase is the issuance of a Capital Loan Note 2007 series for the Colby Park Project – Phase III.

Economic Factors

Property taxes represent approximately 38% of total program resources excluding other financing sources. TIF revenues comprised nearly 29% of revenues. Fees and charges for services and licenses and permits comprised approximately .79% of the City's revenues, down from 2.6% in FY 2006. Miscellaneous Revenue comprises approximately 5.04% of the FY 07 revenues. Miscellaneous revenues include fines and penalties, donations, sale of merchandise and special events.

The City monitors all of its resources and determines the need for program adjustment or fee increases accordingly.

The bulk of the City's budget is driven by personnel costs. The City employs 27, regular, full-time employees, or roughly 5.52 employees per thousand residents, which is slightly below the national average of 6.13 for cities providing comparable services. The City also employs one, regular "part-time" employee, who is the crossing guard at Clive Elementary. Of the 27 FTE's, 14 are in the Police Department, 7 in Public Works, 2 in Fire and 4 in Administration. Approximately thirty paid per call employees comprise the remainder of the employees in the Fire Department.

A comparison

Following is a table comparing receipts and disbursements for governmental funds from 2005 through 2007. As you can see, the City continues to improve its infrastructure through capital projects, while protecting its bottom line, reserve levels.

City of Windsor Heights, Iowa			
Changes in Cash Basis Net Assets of Governmental Activities			
Governmental Funds			
	Year ended - June 30		
Receipts	2005	2006	2007
Property Taxes	\$2,076,718	\$2,149,157	\$2,160,668
Tax Increment Financing collections	\$1,294,382	\$1,447,527	\$1,620,769
Other city tax	\$7,221	\$307,581	\$306,032
Licenses and permits	\$118,060	\$40,333	\$79,458
Use of Money and Property	\$17,216	\$40,451	\$58,023
Intergovernmental	\$410,168	\$409,501	\$783,396
Charges for Service	\$216,612	\$120,478	\$331,869
Miscellaneous	\$289,254	\$205,438	\$283,318
Total Receipts	\$4,429,631	\$4,720,466	\$5,623,533
Disbursements			
Public Safety	\$1,648,134	\$1,622,875	\$2,100,540
Public Works	\$690,381	\$629,928	\$885,629
Health and Social Services	\$78,574	\$75,125	\$0
Culture and Recreation	\$337,121	\$468,146	\$238,776
Community and Economic Development	\$33,301	\$23,354	\$14,933
General Government	\$395,866	\$375,537	\$479,658
Debt Service	\$1,180,503	\$1,744,032	\$1,300,176
Capital Projects	\$36,480	\$138,719	\$1,191,250
Total Disbursements	\$4,400,360	\$5,077,716	\$6,210,962
Excess (deficiency) of receipts over (under) disbursement	\$29,271	(\$357,250)	(\$587,429)
Other financing sources	\$40,140	\$763,781	\$1,512,063
Net changes in cash balances	\$69,411	\$406,531	\$924,634
Balance - beginning of the year	\$1,107,537	\$1,176,948	\$1,583,479
Balance - end of year	\$1,176,948	\$1,583,479	\$2,508,113

It is important to note when evaluating the expenditures, that the City no longer levies for a publicly-owned transit system, which explains the fairly flat level of property tax revenues. Recently, a regional transit system was formed and the levy for that will show up separately on a property owner's tax statement. The City reduced the FY 2007 levy a full \$.41 that the regional transit system projected charging, to offset the increase in the other portion of the property owner's taxes.

Following is a table comparing receipts and disbursements for proprietary (business activities) funds from 2005 through 2007. These funds remain strong with good reserves.

City of Windsor Heights, Iowa
Changes in Cash Basis Net Assets of Governmental Activities
Proprietary Funds

	Year ended - June 30		
Receipts	2005	2006	2007
Use of Money and Property	\$1,085	\$2,310	\$0
Charges for Service	\$97,592	\$129,195	\$149,690
Total Receipts	\$98,677	\$131,505	\$149,690
Disbursements			
Business type activities	\$66,554	\$89,186	\$167,225
Debt Service	\$11,960	\$13,811	\$9,360
Total Disbursements	\$78,514	\$102,997	\$176,585
Excess (deficiency) of receipts over (under) disbursement	\$20,163	\$28,508	(\$26,895)
Other financing sources	(\$40,140)	(\$10,000)	(\$10,000)
Net changes in cash balances	(\$19,977)	\$18,508	(\$36,895)
Balance - beginning of the year	\$449,723	\$429,746	\$448,254
Balance - end of year	\$429,746	\$448,254	\$411,359

Next year's budget and rates

For the year ending June 30, 2008 the general fund has been budgeted fairly consistently with this year, however, overall the tax levy rate is set to increase by \$.19 per thousand dollars of taxable valuation. The tax levy rate is a increase, from the 2006-2007 levy rate, pursuant to a Council policy decision to undertake recreational infrastructure improvements (an upgrade to the playground at Colby Park) that are funded by both TIF and the general fund. The net affect to the property owner of a home with an average assessed value of approximately \$4.72 for the fiscal year. Excluding the voter-imposed library levy, this is the first levy rate increase in five years. The impact of the increase is offset by the further reduction in the residential rollback on which taxable valuations are calculated.

Staff is currently reviewing a comprehensive water main improvement plan and will need to make recommendations regarding capital reserve rate adjustments based on those plans during the 2008 fiscal year.

The City is also expecting to identify ways in which to complete the park improvements and undertake improvements to the Hickman Road corridor and make changes to City Hall.

Financial Contact

The City's financial statements are designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact the City Administrator at 1133 66th Street, Windsor Heights, IA 50311 or telephone 515/279-3662.

A handwritten signature in dark ink, appearing to read "Marketa George Oliver". The signature is fluid and cursive, with the first name "Marketa" being the most prominent.

Marketa George Oliver
City Administrator

City of Windsor Heights, Iowa
Statement of Activities and Net Assets – Cash Basis
As of and for the year ended June 30, 2007

Functions/Programs	Disbursements	Program Receipts		
		Charges for Services	Operating Grants, Contributions, and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Governmental Activities				
Public safety	\$ 2,100,540	\$ 201,156	\$ -	\$ -
Public works	885,629	246,926	407,640	-
Culture and recreation	238,776	15,915	-	-
Community and economic development	14,933	-	-	-
General government	479,658	8,303	-	-
Debt service	1,300,176	-	-	-
Capital projects	1,191,250	-	-	373,025
Total governmental activities	6,210,962	472,300	407,640	373,025
Business type activities				
Water	9,360	45,865	-	-
Sewer	53,203	44,147	-	-
Storm Sewer	114,022	59,678	-	-
Total business type activities	176,585	149,690	-	-
Total	\$ 6,387,547	\$ 621,990	\$ 407,640	\$ 373,025

General Receipts

Property tax levied for
 General purposes
 Tax increment financing
 Debt service
Other city tax
Unrestricted interest on investments
Bond proceeds
Miscellaneous
Sale of assets
Transfers
 Total general receipts and transfers
Change in cash basis net assets
Cash basis net assets beginning of year
Cash basis net assets end of year

Cash basis net assets

Restricted
 Streets
 Other purposes
Unrestricted
 Total cash basis net assets

There were no reconciling items between the Governmental and Fiduciary Fund Statements of Cash Receipts, Disbursements and Changes in Cash Balances and the above Statement. See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash
Basis Net Assets

Governmental Activities	Business Type Activities	Total
\$ (1,899,384)	\$ -	\$ (1,899,384)
(231,063)	-	(231,063)
(222,861)	-	(222,861)
(14,933)	-	(14,933)
(471,355)	-	(471,355)
(1,300,176)	-	(1,300,176)
(818,225)	-	(818,225)
(4,957,997)	-	(4,957,997)
-	36,505	36,505
-	(9,056)	(9,056)
-	(54,344)	(54,344)
-	(26,895)	(26,895)
\$ (4,957,997)	\$ (26,895)	\$ (4,984,892)

2,075,727	-	2,075,727
1,620,769	-	1,620,769
84,941	-	84,941
306,032	-	306,032
58,023	-	58,023
1,498,054	-	1,498,054
225,076	-	225,076
4,009	-	4,009
10,000	(10,000)	-
5,882,631	(10,000)	5,872,631
924,634	(36,895)	887,739
1,583,479	448,254	2,031,733
\$ 2,508,113	\$ 411,359	\$ 2,919,472

\$ 45,639	\$ -	\$ 45,639
1,177,620	-	1,177,620
1,284,854	411,359	1,696,213
\$ 2,508,113	\$ 411,359	\$ 2,919,472

City of Windsor Heights, Iowa
Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Governmental Funds
As of and for the year ended June 30, 2007

	General	Special Revenue		
		Urban	Road Use	Employee
Receipts				
Property Taxes	\$ 1,579,971	\$ -	\$ -	\$ 495,756
Tax Increment Financing Collections	-	1,620,769	-	-
Other City Tax	306,032	-	-	-
Licenses and Permits	79,458	-	-	-
Use of Money and Property	28,082	-	-	13,906
Intergovernmental	2,731	-	407,640	-
Charges for Services	331,869	-	-	-
Miscellaneous	220,544	-	-	16,353
Total Receipts	2,548,687	1,620,769	407,640	526,015
Disbursements				
Operating				
Public Safety	1,386,457	-	-	322,109
Public Works	301,058	-	450,726	102,302
Culture and Recreation	233,948	-	-	4,828
Community and Economic Development	14,933	-	-	-
General Government	408,418	-	-	71,240
Debt Service	-	-	-	-
Capital Projects	-	-	-	-
Total Disbursements	2,344,814	-	450,726	500,479
Excess (deficiency) of receipts over (under) disbursements	203,873	1,620,769	(43,086)	25,536
Other financing sources (uses)				
Bond proceeds	-	-	-	-
Sale of capital assets	4,009	-	-	-
Operating transfers in	354,369	-	-	-
Operating transfers out	(180,500)	(1,417,804)	(60,000)	-
Total other financing sources (uses)	177,878	(1,417,804)	(60,000)	-
Net change in cash balances	381,751	202,965	(103,086)	25,536
Cash balance (deficit) - beginning of year	903,103	-	148,725	535,850
Cash balance (deficit) - end of year	\$ 1,284,854	\$ 202,965	\$ 45,639	\$ 561,386
Cash basis fund balances (deficit)				
Unreserved				
General fund	\$ 1,284,854	\$ -	\$ -	\$ -
Special revenue funds	-	202,965	45,639	561,386
Capital projects fund	-	-	-	-
Total cash basis fund balances	\$ 1,284,854	\$ 202,965	\$ 45,639	\$ 561,386

The accompanying notes to financial statements are an integral part of this statement.

Debt Service	Capital Projects		Other Nonmajor	Total
	Colby Park			
\$ 84,941	\$ -	\$ -	\$ -	\$ 2,160,668
-	-	-	-	1,620,769
-	-	-	-	306,032
-	-	-	-	79,458
-	-	16,035	-	58,023
-	200,000	173,025	-	783,396
-	-	-	-	331,869
11,800	-	34,621	-	283,318
96,741	200,000	223,681	-	5,623,533
-	-	391,974	-	2,100,540
-	-	31,543	-	885,629
-	-	-	-	238,776
-	-	-	-	14,933
-	-	-	-	479,658
1,300,176	-	-	-	1,300,176
-	761,008	430,242	-	1,191,250
1,300,176	761,008	853,759	-	6,210,962
(1,203,435)	(561,008)	(630,078)	-	(587,429)
-	1,301,117	196,937	-	1,498,054
-	-	-	-	4,009
1,417,804	-	210,500	-	1,982,673
(214,369)	-	(100,000)	-	(1,972,673)
1,203,435	1,301,117	307,437	-	1,512,063
-	740,109	(322,641)	-	924,634
-	-	(4,199)	-	1,583,479
\$ -	\$ 740,109	\$ (326,840)	\$ -	\$ 2,508,113
\$ -	\$ -	\$ -	\$ -	\$ 1,284,854
-	-	1,971	-	811,961
-	740,109	(328,811)	-	411,298
\$ -	\$ 740,109	\$ (326,840)	\$ -	\$ 2,508,113

City of Windsor Heights, Iowa
Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Proprietary Funds
As of and for the year ended June 30, 2007

	Water	Sewer	Storm Sewer	Total
Operating receipts				
Use of money and property	\$ -	\$ -	\$ -	\$ -
Charges for service	45,865	44,147	59,678	149,690
Total operating receipts	45,865	44,147	59,678	149,690
Operating disbursements				
Business type activities	-	53,203	114,022	167,225
Excess (deficiency) of operating receipts over operating disbursements	45,865	(9,056)	(54,344)	(17,535)
Non-operating (disbursements)				
Debt service	(9,360)	-	-	(9,360)
Total non-operating (disbursements)	(9,360)	-	-	(9,360)
Excess (deficiency) of receipts over (under) disbursements	36,505	(9,056)	(54,344)	(26,895)
Other financing sources (uses)				
Operating transfers in	-	-	68,736	68,736
Operating transfers out	(10,000)	(68,736)	-	(78,736)
Total other financing sources (uses)	(10,000)	(68,736)	68,736	(10,000)
Net change in cash balances	26,505	(77,792)	14,392	(36,895)
Cash balances (deficit) - beginning of year	302,810	159,836	(14,392)	448,254
Cash balances - end of year	\$ 329,315	\$ 82,044	\$ -	\$ 411,359
Cash basis fund balances - unreserved	\$ 329,315	\$ 82,044	\$ -	\$ 411,359

See notes to financial statements

City of Windsor Heights, Iowa
Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Fiduciary Fund - Police Pension
As of and for the year ended June 30, 2007

Receipts	
Property Taxes	\$ 12,000
Investment earnings - interest	19,378
Total receipts	<u>31,378</u>
Disbursements	
Benefits	<u>70,030</u>
Total disbursements	<u>70,030</u>
Excess of disbursements over receipts	<u>(38,652)</u>
Cash balance - beginning of year	445,484
Cash balance - end of year	<u><u>\$ 406,832</u></u>

City of Windsor Heights, Iowa
Notes to Financial Statements
June 30, 2007

1/ Summary of Significant Accounting Policies

The City of Windsor Heights is a political subdivision of the State of Iowa located in Polk County. It was first incorporated in 1941 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services.

A. Reporting Entity

For financial reporting purposes, the City of Windsor Heights has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City.

Jointly Governed Organizations

In 1998, the City joined with fifteen cities and counties to perpetuate the Des Moines Area Metropolitan Planning Organization to plan and coordinate the transportation activities for the metropolitan area. The Organization's Board consists of a representative from each governing body. The members make contributions toward the budget of the organization. During the year ended June 30, 2007, no contribution was made.

In 1969, the City, in conjunction with seventeen other cities, created the Metro Waste Authority. The Authority board consists of an elected representative of the governing body of each participating governmental jurisdiction. The purpose of this joint public body is to provide for the economic disposal of all solid waste produced or generated by the jurisdictions and private contractors. During the year ended June 30, 2007 the City paid the Metro Waste Authority \$61,957 for the Curb It Program.

In March 2002, the City, in conjunction with four other cities, created the West Homeowner Emergency Loan Program for housing rehabilitation within their respective communities. Each member has equal representation on the management committee. The cost to each member was \$7,028 during the year ended June 30, 2007.

In addition, the City participates in four jointly governed organizations that provide services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the Joint County/Municipal Disaster Services and Emergency Planning Administration for Polk County, the Emergency Communications Services (911) Board, Central Iowa Regional Drinking Water Commission, and Des Moines Metropolitan Transit Authority.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Urban Renewal Tax Increment Fund is used to account for urban renewal projects financed by tax increment financing.

The Road Use Tax Fund is used to account for road construction and maintenance.

The Employee Benefits Fund is used to account for the tax levy and the disbursement for the benefits.

The Debt Service Fund is utilized to account for the payment of interest and principal on the City's general long-term debt.

The Colby Park fund is used to account for the costs associated with the Colby Park improvements.

The City reports the following major proprietary funds:

The Water, Sewer and Storm Sewer Funds account for the City's share of the operation and maintenance of the water system, waste water treatment and sanitary sewer system, and storm water sewer system.

C. Measurement Focus and Basis of Accounting

The City of Windsor Heights maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2007, disbursements exceeded the amounts budgeted in General Government and Capital Projects functions.

2/ Cash and Pooled Investments

The City's deposits at June 30, 2007 were entirely covered by Federal depository insurance, or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$470,543 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Interest Rate Risk – The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but maturities shall be consistent with the needs and use of the City.

Credit Risk – The City's investment in the Iowa Public Agency Investment Trust is unrated.

Police Pension Fund

Investment of police pension funds is authorized under Chapter 410 of the Code of Iowa. The Treasurer may invest these funds at the direction of the Board of Trustees in interest bearing bonds, notes, certificates, or other evidences of indebtedness which are obligations of or guaranteed by the United States, or in interest bearing bonds of the State of Iowa, or any County, township, or municipal corporation of the State of Iowa.

3/ Tax Increment Financing

In prior years, the City established urban renewal districts and made agreements with the county and schools, in accordance with Chapter 403.19 of the Code of Iowa, to divide the increase in taxes as a result of the incremental property tax valuation in those districts. The taxes so collected are paid into the City's Special Revenue Fund and are expended for project costs or debt service associated with the projects affecting the districts.

4/ Bonds and Notes Payable

Annual debt service requirements to maturity for general obligation bonds and revenue notes are as follows:

Year Ending June 30,	General Obligation Bonds		Revenue Notes		Total	
	Bonds and Notes					
	Principal	Interest	Principal	Interest	Principal	Interest
2008	990,000	463,432	8,157	294	998,157	463,726
2009	1,050,000	407,574			1,050,000	407,574
2010	1,100,000	350,201			1,100,000	350,201
2011	1,375,000	287,621			1,375,000	287,621
2012	1,070,000	204,517			1,070,000	204,517
2013	1,070,000	141,029			1,070,000	141,029
2014	1,005,000	92,191			1,005,000	92,191
2015	400,000	45,666			400,000	45,666
2016	435,000	27,103			435,000	27,103
2017	180,000	6,840			180,000	6,840
Total	\$ 8,675,000	\$ 2,026,174	\$ 8,157	\$ 294	\$ 8,683,157	\$ 2,026,468

5/ Pension and Retirement Benefits

IPERS

The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P. O. Box 9117, Des Moines, Iowa 50306-9117.

Most plan members are required to contribute 3.70% of their annual covered salary and the City is required to contribute 5.75% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by State statute. The City's contributions to IPERS for the years ended June 30, 2007, 2006 and 2005 were \$103,308, \$100,745, and \$95,068, respectively, which were equal to the required contributions for each year.

Police Pension

Chapter 410 of the Code of Iowa established a retirement system for duly appointed members of the police department whose appointment occurred before March 2, 1934 or police officers who had been making payments of membership fees and assessments prior to July 1, 1971.

5/ Pension and Retirement Benefits (continued)

The plan is administered by the City through the Police Retirement Board of Trustees and provides retirement, disability and death benefits. The benefits are established by State statute and provide for full retirement benefits at age 50 with 22 years or more of service. Full benefits are equal to 60 percent of the monthly salary at retirement or disability and 30 percent of the monthly salary at death.

The City has three eligible police officers. All are retired and are receiving benefits.

Presented below is the total pension benefit obligation of the City for this pension plan. The amount is based on a standardized measurement established by GASB-5, which is the actuarial present value of credited projected benefits. This method reflects the present value of estimated pension benefits that will be paid in future years as a result of employee services performed to date by the plan participants and is adjusted for the effect of projected salary increases. A variety of significant actuarial assumptions are used to determine the standardized measure including:

1. The present value of future pension payments was computed using a discount rate of 3.5%. The discount rate is equal to the estimated long-term rate of return on current and future investments of the pension plan.
2. Future pension payments reflect an assumption of 5% salary increase as a result of inflation.

The latest actuarial valuation was made July 1, 2003. The standardized measure of the unfunded pension obligation is as follows:

Total Pension Obligation at July 1, 2003	\$559,815
Net Assets Available For Benefits at June 30, 2007	<u>406,832</u>
Estimated Underfunded Pension Benefit Obligations	<u>\$152,983</u>

The ten-year historical trend information related to this pension plan is not available.

6/ Compensated Absences

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement or death. City employees also accumulate sick leave hours for subsequent use or payment of up to 1,200 hours upon separation from employment at age 62 or older. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned compensated absences for vacation hours, sick leave termination payments payable to employees at June 30, 2007, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$ 161,000
Sick Leave	<u>231,600</u>
Total	<u>\$392,600</u>

The liability has been computed based on rates of pay in effect as of June 30, 2007.

7/ Related Party Transactions

The City had no business transactions between the City and City officials during the year ended June 30, 2007.

8/ Risk Management

The City is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool with over 563 members from various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials' liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 200 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and if insufficient, by the subsequent year's member contributions.

The property and casualty contributions to the risk pool are recorded as disbursements from operating funds at the time of payment to the risk pool. The City's annual contributions to the Pool for the year ended June 30, 2007 were \$54,082.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim and \$10,000,000 in aggregate per year. For members requiring specific coverage from \$3,000,000 to \$10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$100,000 each occurrence, each location, with excess coverage reinsured on an individual basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2007, settled claims have not exceeded the risk pool or reinsurance company coverage since the pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their casualty capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its casualty capital contributions; however, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The City also carries commercial insurance purchased from other insurers for coverage associated with damage to and destruction of assets and injuries to employees. The City assumes liability for any deductibles, and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

9/ Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2007 is as follows:

	Transfer To				Total
	General	Storm Sewer	Equipment Reserve	Debt Service	
Transfer from					
Urban Renewal Tax Increment	\$ -	\$ -	\$ -	\$ 1,417,804	\$ 1,417,804
Road Use Tax	30,000	-	30,000	-	\$ 60,000
Water Fund	10,000	-	-	-	\$ 10,000
Sewer Fund	-	68,736	-	-	68,736
Debt Service	214,369	-	-	-	214,369
Capital Projects	100,000	-	-	-	100,000
General	-	-	180,500	-	180,500
	<u>\$ 354,369</u>	<u>\$ 68,736</u>	<u>\$ 210,500</u>	<u>\$ 1,417,804</u>	<u>\$ 2,051,409</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

10/ Deficit Fund Balance

At June 30, 2007, the Town Center capital project had a deficit balance of \$480,018 as a result of project costs incurred prior to the availability of funds. After the receipt from the future sales of properties and payment of final project costs, the deficit balance will be eliminated with an Intrafund loan from the General Fund. The loan will be repaid from future tax increment taxes.

11/ Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts and disclosure of liabilities, contingent liabilities, and commitments at the date of the financial statements, and the classification of receipts and disbursements during the reporting period. Actual results could differ from the estimates that were used.

12/ Contingencies

In the ordinary course of business, the City is involved in lawsuits. Although the outcome of each litigation is uncertain, management and legal counsel believe any settlement will not have a material adverse affect on the City's financial condition.

13/ Education Facility Revenue Bonds

The City issued the following educational facility revenue bonds under the provisions of Chapter 419 of the Code of Iowa. The bonds and related interest are payable solely by the borrower to the lender. The bond principal and interest do not constitute liabilities of the City of Windsor Heights.

<u>Date of Issue</u>	<u>Amount</u>	<u>Project</u>
December, 2003	\$4,000,000	Sacred Heart School
March, 2005	\$6,500,000	Drake University

City of Windsor Heights, Iowa
 Budgetary Comparison Schedule of Receipts, Disbursements, and Changes in Balances
 Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Funds
 Required Supplementary Information
 Year ended June 30, 2007

	Governmental Funds Actual	Enterprise Funds Actual
Receipts		
Property Taxes	\$ 2,160,668	\$ -
Tax increment financing collections	1,620,769	-
Other city tax	306,032	-
Licenses and permits	79,458	-
Use of money and property	58,023	-
Intergovernmental	783,396	-
Charges for Service	331,869	149,690
Miscellaneous	283,318	-
Total Receipts	<u>5,623,533</u>	<u>149,690</u>
Disbursements		
Public safety	2,100,540	-
Public works	885,629	-
Health and social services	-	-
Culture and recreation	238,776	-
Community and economic development	14,933	-
General government	479,658	-
Debt service	1,300,176	9,360
Capital projects	1,191,250	-
Business type activities	-	167,225
Total Disbursements	<u>6,210,962</u>	<u>176,585</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(587,429)</u>	<u>(26,895)</u>
Other financing sources, net	<u>1,512,063</u>	<u>(10,000)</u>
Excess of receipts and other financing sources over disbursements and other financing uses	<u>924,634</u>	<u>(36,895)</u>
Balance - beginning of year	1,583,479	448,254
Balance - end of year	<u>\$ 2,508,113</u>	<u>\$ 411,359</u>

See accompanying independent auditors' report.

Budgeted Amounts				
	Net	Original	Final	Final to Net Variance
\$	2,160,668	\$ 2,142,863	\$ 2,162,097	\$ (1,429)
	1,620,769	1,619,494	1,619,494	1,275
	306,032	36,637	35,755	270,277
	79,458	44,050	66,050	13,408
	58,023	21,500	53,055	4,968
	783,396	474,000	688,880	94,516
	481,559	275,800	474,652	6,907
	283,318	626,650	426,261	(142,943)
\$	5,773,223	5,240,994	5,526,244	246,979
	2,100,540	2,180,345	2,397,682	297,142
	885,629	632,280	903,968	18,339
	-	900	900	900
	238,776	239,170	292,929	54,153
	14,933	64,500	430,216	415,283
	479,658	435,298	461,603	(18,055)
	1,309,536	1,502,786	1,502,786	193,250
	1,191,250	129,000	942,931	(248,319)
	167,225	182,918	197,718	30,493
	6,387,547	5,367,197	7,130,733	743,186
	(614,324)	(126,203)	(1,604,489)	990,165
	1,502,063	28,000	1,527,760	25,697
	887,739	(98,203)	(76,729)	964,468
	2,031,733	2,277,525	2,277,525	(245,792)
\$	2,919,472	\$ 2,179,322	\$ 2,200,796	\$ 718,676

City of Windsor Heights, Iowa
Notes to Required Supplementary Information – Budgetary Reporting
June 30, 2007

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Fiduciary Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund or fund type. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, a budget amendment increased budgeted disbursements by \$1,763,536. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2007, disbursements exceeded the amounts budgeted in the General Government and Capital Projects functions.

City of Windsor Heights, Iowa
Statement of Cash Receipts, Disbursements, and Changes in Cash Balances
Nonmajor Governmental Funds
As of and for the year ended June 30, 2007

	Special Revenue	
	Police	
	Preforfeiture	
	Police Trust	Fund
Receipts		
Use of money and property	\$ 22	\$ 100
Intergovernmental	-	-
Miscellaneous	9,363	297
Total Receipts	9,385	397
Disbursements		
Operating		
Public Safety	8,932	3,174
Public Works	-	-
Capital projects	-	-
Total Disbursements	8,932	3,174
Excess (deficiency) of receipts over disbursements	453	(2,777)
Other financing sources (uses)		
Bond proceeds	-	-
Operating transfers in	-	-
Operating transfers out	-	-
Total other financing sources (uses)	-	-
Net change in cash balances	453	(2,777)
Cash balance (deficit) - beginning of year	(478)	4,773
Cash balance (deficit) - end of year	\$ (25)	\$ 1,996
Cash basis fund balances (deficit)		
Unreserved		
Special revenue funds	\$ (25)	\$ 1,996
Capital project fund	-	-
Total cash basis fund balances (deficit)	\$ (25)	\$ 1,996

Capital Projects				
Town Center	University Avenue Widening	Missing Link Trail	Equipment Reserve	Total
\$ -	\$ 12,338	\$ -	\$ 3,575	\$ 16,035
-	-	173,025	-	173,025
-	24,961	-	-	34,621
-	37,299	173,025	3,575	223,681
-	-	-	379,868	391,974
-	-	-	31,543	31,543
48,047	12,233	369,962	-	430,242
48,047	12,233	369,962	411,411	853,759
(48,047)	25,066	(196,937)	(407,836)	(630,078)
-	-	196,937	-	196,937
-	-	-	210,500	210,500
(100,000)	-	-	-	(100,000)
(100,000)	-	196,937	210,500	307,437
(148,047)	25,066	-	(197,336)	(322,641)
(331,971)	20,284	-	303,193	(4,199)
\$ (480,018)	\$ 45,350	\$ -	\$ 105,857	\$ (326,840)
\$ -	\$ -	\$ -	\$ -	\$ 1,971
(480,018)	45,350	-	105,857	(328,811)
\$ (480,018)	\$ 45,350	\$ -	\$ 105,857	\$ (326,840)

City of Windsor Heights, Iowa
Schedule of Indebtedness
For the year ended June 30, 2007

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General Obligation Bonds			
73rd Street Bridge			
73rd Street Improvements			
63rd Street Widening Projects	May 22, 1996	5.00 to 5.60%	\$ 700,000
1997-1A Street Project			
University Avenue Reconstruction			
71st and 72nd Street Turnarounds	March 12, 1997	4.90 to 5.20%	950,000
1997-1B Urban Renewal Project	March 12, 1997	6.75%	1,775,000
1999-A University Avenue			
Street Widening and Improvements	August 30, 1999	4.60 to 5.30%	1,580,000
1999-B Urban Renewal Project	August 30, 1999	6.50 to 7.10%	2,295,000
1999-C Refunding Bonds	August 30, 1999	4.50 to 5.10%	1,020,000
Notes - 2000 series	November 1, 2000	4.50 to 5.00%	365,000
Capital Loan Notes - 2002 series	February 18, 2002	4.00 to 4.65%	1,810,000
Capital Loan Notes - 2005 series	August 1, 2005	6.15%	550,000
Capital Loan Notes - 2007 series	April 1, 2007	3.60 to 3.80%	1,500,000
Total			
Revenue Notes			
Water Main and Road Project	October 15, 1992	5.00 to 5.62%	\$ 265,000

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
\$ 365,000	\$ -	\$ 50,000	\$ 315,000	\$ 19,975
650,000	-	50,000	600,000	33,480
1,070,000	-	130,000	940,000	72,225
1,310,000	-	100,000	1,210,000	70,203
1,745,000	-	200,000	1,545,000	129,880
635,000	-	100,000	535,000	34,313
110,000	-	55,000	55,000	5,472
1,685,000	-	40,000	1,645,000	75,978
440,000		110,000	330,000	23,650
-	1,500,000	-	1,500,000	
<u>\$ 8,010,000</u>	<u>\$ 1,500,000</u>	<u>\$ 835,000</u>	<u>\$ 8,675,000</u>	<u>\$ 465,176</u>
<u>\$ 17,072</u>	<u>\$ -</u>	<u>\$ 8,915</u>	<u>\$ 8,157</u>	<u>\$ 445</u>

City of Windsor Heights, Iowa
Bond and Note Maturities
June 30, 2007

73rd Street Bridge 73rd Street Improvements 63rd Street Widening Projects Issued May 22, 1996			University Avenue Reconstruction 71 and 72 Street Turnarounds 1997-1A Issued March 12, 1997		University Avenue Project 1997-1B Issued March 12, 1997	
Year Ending June 30,	Interest Rates (%)	Amount	Interest Rates (%)	Amount	Interest Rates (%)	Amount
2008	5.40	50,000	5.00	55,000	6.75	140,000
2009	5.50	55,000	5.10	60,000	6.75	165,000
2010	5.50	65,000	5.20	55,000	6.75	310,000
2011	5.50	70,000	5.20	60,000	6.75	325,000
2012	5.60	75,000	5.20	65,000		-
2013		-	5.20	70,000		-
2014		-	5.20	75,000		-
2015		-	5.20	80,000		-
2016		-	5.20	80,000		-
2017		-		-		-
Totals		<u>\$ 315,000</u>		<u>\$ 600,000</u>		<u>\$ 940,000</u>

Series 1999A University Avenue Street Widening and Improvements Issued August 30, 2000			Series 1999B Urban Renewal Project Issued August 30, 2000		Series 1999C Refunding Bonds Issued August 30, 2000	
Year Ending June 30,	Interest Rates (%)	Amount	Interest Rates (%)	Amount	Interest Rates (%)	Amount
2008	5.00	105,000	7.00	225,000	4.95	95,000
2009	5.05	110,000	7.00	175,000	5.00	95,000
2010	5.10	115,000	7.00	115,000	5.05	170,000
2011	5.00	120,000	7.10	475,000	5.10	175,000
2012	5.20	130,000	7.10	555,000		-
2013	5.25	145,000		-		-
2014	5.25	150,000		-		-
2015	5.30	155,000		-		-
2016	5.30	180,000		-		-
2017		-		-		-
Totals		<u>\$ 1,210,000</u>		<u>\$ 1,545,000</u>		<u>\$ 535,000</u>

See accompanying independent auditors' report.

Series 2000 Capital Loan Notes		Series 2002 Capital Loan Notes		Series 2005 Capital Loan Note	
Issued November 1, 2000		Issued February 18, 2002		Issued August 1, 2005	
Interest Rates (%)	Amount	Interest Rates (%)	Amount	Interest Rates (%)	Amount
5.00	55,000	4.00	40,000	6.15	110,000
-	-	4.10	150,000	6.15	110,000
-	-	4.25	25,000	6.15	110,000
-	-	4.35	10,000	-	-
-	-	4.45	100,000	-	-
-	-	4.55	700,000	-	-
-	-	4.65	620,000	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
	<u>\$ 55,000</u>		<u>\$ 1,645,000</u>		<u>\$ 330,000</u>

Series 2007A Capital Loan Notes			Revenue Notes Water		
Issued April 2, 2007			Issued October 15, 1992		
Interest Rates (%)	Amount	Total General Obligations	Year Ending June 30,	Interest Rates (%)	Amount
3.600	115,000	990,000	2008	3.60%	8,157
3.600	130,000	1,050,000	2009		-
3.625	135,000	1,100,000	2010		-
3.650	140,000	1,375,000	2011		-
3.650	145,000	1,070,000	2012		-
3.700	155,000	1,070,000	2013		-
3.700	160,000	1,005,000	2014		-
3.750	165,000	400,000	2015		-
3.750	175,000	435,000	2016		-
3.800	180,000	180,000	2017		-
	<u>\$ 1,500,000</u>	<u>\$ 8,675,000</u>	Totals		<u>\$ 8,157</u>

City of Windsor Heights, Iowa
Schedule of Receipts by Source and Disbursement by Function
All Government Funds
As of and for the year ended June 30, 2007

	2007	2006	2005	2004
Receipts				
Property taxes	\$2,160,668	\$ 2,149,157	\$ 2,076,718	\$ 1,886,664
Tax increment financing collections	1,620,769	1,447,527	1,294,382	1,097,352
Other city tax	306,032	307,581	7,221	13,781
Licenses and permits	79,458	40,333	118,060	117,595
Use of money and property	58,023	40,451	17,216	7,887
Intergovernmental	783,396	409,501	410,168	428,617
Charges for service	331,869	120,478	216,612	195,406
Miscellaneous	283,318	205,438	289,254	154,295
Total	<u>\$ 5,623,533</u>	<u>\$ 4,720,466</u>	<u>\$ 4,429,631</u>	<u>\$ 3,901,597</u>
Disbursements				
Operating				
Public safety	2,100,540	\$ 1,622,875	\$ 1,648,134	\$ 1,457,408
Public works	885,629	629,928	690,381	535,010
Health and social services	-	75,125	78,574	85,529
Culture and recreation	238,776	468,146	337,121	247,442
Community and economic development	14,933	23,354	33,301	51,813
General government	479,658	375,537	395,866	385,077
Debt service	1,300,176	1,744,032	1,180,503	1,141,875
Capital projects	1,191,250	138,719	36,480	369,251
Total	<u>\$ 6,210,962</u>	<u>\$ 5,077,716</u>	<u>\$ 4,400,360</u>	<u>\$ 4,273,405</u>

See accompanying independent auditors' report.

POLLARD AND COMPANY P.C.

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IOWA SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Honorable Mayor and
Members of the City Council

We have audited the accompanying financial statements of the governmental activities, the business type activities, and each major fund of the City of Windsor Heights, Iowa as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated July 22, 2008. Our report expressed unqualified opinions on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Windsor Heights' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control over financial reporting that we considered to be a significant deficiency and we considered to be a material weakness, and is identified as item I-A-07 in the Schedule of Findings.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned function, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control. We consider the deficiency in internal control described in Part I of the accompanying Schedule of Findings to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that result in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Windsor Heights' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards, and which are discussed in the accompanying Schedule of Findings as items II-H-07 and II-I-07. In addition, we noted certain immaterial instances of non-compliance or other matters that are also described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2007 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City of Windsor Heights' responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusion on the City's responses, we did not audit the City's responses and, accordingly, we express no opinion on them.

This report, a matter of public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Windsor Heights and other parties to whom the City of Windsor Heights may report. This report is not intended to be and should not be used by anyone other than these specified parties.

October 31, 2008

Pollard and Company P.C.

City of Windsor Heights, Iowa
Schedule of Findings
Year Ended June 30, 2007

Part I: Findings Related to the Financial Statements

INSTANCES OF NON-COMPLIANCE: No matters were noted.

REPORTABLE CONDITIONS:

I-A-07 Segregation of Duties

One important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that generally one person has control over each of the following areas:

- (1) Cash receipts, journalizing, and posting.
- (2) Disbursements, check writing, journalizing, and posting.

Recommendation

We realize that with a limited number of office employees, segregation of duties is difficult. The City should continue to review its operating procedures to obtain the maximum internal control possible under the circumstances.

Response

We will continue to review the internal control procedures and segregate duties to the extent possible with existing personnel.

Conclusion

Response acknowledged. The City should segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

Part II: Other Findings Related to Statutory Reporting

II-A-07 Certified Budget

As reported in Notes to Financial Statement 1D, disbursements during the year ended June 30, 2007 exceeded the amounts budgeted. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

Recommendation

The budget should have been amended in sufficient amounts in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response

The budget will be amended in the future, if applicable.

Conclusion

Response accepted.

II-B-07 Questionable Disbursements

We noted no disbursements for parties, banquets or other entertainment expenses that do not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

Part II (continued):

- II-C-07 Travel Expense
We noted no disbursements of City money for travel expenses of spouses of City officials or employees during the year.
- II-D-07 Business Transactions
There were no business transactions between the City and City officials or employees during the year.
- II-E-07 Bond Coverage
Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-F-07 Financial Condition
At June 30, 2007, the Town Center Project in the Capital Project Fund had deficit balance of \$480,018.
- Recommendation
The City should investigate alternatives to eliminate this deficit in order to return the account to a sound financial position.
- Response
See Note to Financial Statements 10.
- Conclusion
Response accepted.
- II-G-07 Time Cards
The supervisors did not approve all time records submitted by employees.
- Recommendation
All time records should be approved by the employee's supervisor.
- Response
A supervisor will approve the time records of affected employees.
- Conclusion
Response accepted.
- II-H-07 Public Hearing and Competitive Bidding
Chapter 384 of the Code of Iowa requires the City to hold a public hearing on the proposed plans and specifications of public improvement projects costing \$25,000 or more. Chapter 384.96 of the Code of Iowa requires the City to advertise for bids for such improvement projects. Effective January 1, 2007, the competitive bidding and bid thresholds changed as provided in Chapter 26 of the Code of Iowa.
- Chapter 4.12 of the City's code states in part "when the estimated total cost to the City of a public improvement exceeds the sum of \$25,000, the City shall advertise for sealed bids for the proposed improvement by publishing a notice to bidders as provided in the Code of Iowa."
- During the period ended June 30, 2007, we identified expenditures totaling \$170,143 for Colby Park Phase I - Playground. The purchase order for playground equipment was signed before June 30, 2006 and \$18,314 was paid on August 3, 2007. All other expenditures were paid directly to the four different contractors. According to an Iowa Attorney General Opinion dated

December 14, 1988, the City is not permitted to avoid competitive bid thresholds by dividing the project into several contracts. In addition, the actual purchase of the equipment should not have separated from its subsequent installation and reconfiguration costs. On August 7, 2006, City Council authorized an architect to prepare bid documents for Phase I. No bids were received by the bid due date. According to Chapter 384.100 of the Code of Iowa, if the City rejects all bids then a new date must be fixed to receive bids through a new notice to bidders.

During the period from July 1 to February 28, 2007, expenditures totaling \$373,648 for Colby Park Phase II - Physical Reconfiguration of the Park and Parking Lot Reconstruction were identified. On February 22, 2007, the City received a letter from Polk County requesting a payment totaling \$373,648 less \$200,000 per arrangement with the County Manager without invoices supporting the amount. On March 15, 2007, the City paid Polk County \$173,648.

The City had entered into an arrangement with Polk County Public Works to provide contract management services on Phase I and II. The City Council did not approve this arrangement in the Council minutes.

Recommendations

The City should revise its policies and establish procedures to ensure compliance with public hearings, bidding and form of payment on public improvements pursuant to Chapter 26 of the Code of Iowa. The City should consult legal counsel to determine the propriety of payments pertaining to Colby Park Phase I and II since the contracts were not competitively bid.

All contractual obligations should be formalized in a written document, approved by the City Council and documented in the Council minutes. The City should consult legal counsel regarding the arrangement with Polk County.

Response

With regard to the redevelopment of the playground, the City developed documents, published, and sought bids. The bids were originally due the beginning of September 2006, and the deadline was extended to September 15, 2006, to allow for additional time to receive bids.

The City never received any bids for the project and, in a conversation between City staff and Bob Rice from the Polk County Public Works Department, the City was informed that it could partner with Polk County to complete the project.

Prior to the City's commitment with the County, City staff met with the City Attorney and were given an oral legal opinion that it was an acceptable practice for a political subdivision to access the contracts/vendors of the county in which it is located as well as the state contracts. In reliance on that opinion, the City partnered with Polk County to complete the project by extending the County's existing contracts by use of change orders to provide the services the City needed. Therefore, Polk County served as managing partner of the project and the City's involvement was limited to paying for its portion of the cost.

Regarding the reconfiguration of the park and the parking lot, the City again partnered with Polk County. The County reduced the total amount of the project by \$200,000 and served as the lead on the project. The County billed the City for the project when it was finished, less the \$200,000. City staff again acted on the advice of legal counsel in agreeing to partner with the County on this project.

The City has subsequently received a different interpretation on bidding laws from its Auditor and, in the future, will act on the guidance provided by the Auditor and the new City Attorney in such matters.

Conclusion

Response accepted.

II-I-07

Approval of Construction Cost Invoices

Three invoices supporting the payments to contractors for Colby Park Phase I were billed to Polk County and not to the City. The invoices were paid by the City to the contractors identified in the invoice.

The letter from Polk County dated February 22, 2007, identified in the above finding did not contain any supporting invoices until this audit firm requested the City obtain the support. The supporting invoices were finally received in September 2008. The invoices were billed to Polk County and apparently Polk County paid the invoices and sent the letter to the City.

Recommendation

All expenditures should be supported by invoices at the time of approval by the City Council and payment.

Response

As identified above, the City developed documents, published and sought bids on the redevelopment of the playground; however, no bids were received. Prior to the City's commitment with the County, City staff met with the City Attorney and were given an oral legal opinion that it was an acceptable practice for a political subdivision to access the contracts/vendors of the county in which it is located as well as the state contracts. In reliance on that opinion, the City partnered with Polk County to complete the project by extending the County's existing contracts by use of change orders to provide the services the City needed.

Regarding the reconfiguration of the park and the parking lot, the City again partnered with Polk County. The County reduced the total amount of the project by \$200,000 and served as the lead on the project. The County billed the City for the project when it was finished, less the \$200,000. City staff again acted on the advice of legal counsel in agreeing to partner with the County on this project.

Therefore, Polk County served as managing partner of these projects and the City's involvement was limited to paying for its portion of the cost. As a result of the partnership with Polk County, the Auditor has identified the above concerns with how the contractors were selected and paid. The City has accepted this guidance from the Auditor, in the future, the City will act on this advice in such matters.

Conclusion

Response accepted.

II-J-07

City Manager Employment Agreement

During the year ended June 30, 2007, the City manager was paid for 2080 hours and an additional amount for 127 hours of vacation time. The City manager's employment agreement states: "the City will furnish twenty (20) days paid vacation every year through the twentieth year of employment. Thereafter, accrual of vacation days will be in accord with City policy for all other non-union employees. Employee shall be entitled to be paid accumulated vacation when she leaves employment."

Recommendation

The wording is subject to interpretation and not specific. The City should consult legal counsel to revise, if necessary, the contract wording to specify the intent of the parties.

Response

Currently, the Administrator uses vacation within the guidelines of the City's established personnel policy. Per the direction of the Auditor, the City will amend the City Administrator's contract to specifically state how vacation accruals may be used.

Conclusion

Response accepted.

II-K-07

Council Minutes

Not all minutes of the Council were published as required by Chapter 372 of the Code of Iowa.

Recommendation

The City should comply with Chapter 372 of the Code of Iowa and should publish the minutes.

Response

The City will publish all future minutes within the fifteen day period as required by law.